IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

KROY IP HOLDINGS, LLC, **Plaintiff,** **v.** **SAFEWAY, INC.,** **Defendant.**	**Civil Action No. 2:12-cv-800** **(LEAD CASE)** **JURY TRIAL DEMANDED**
THE KROGER CO., **Defendant.**	**Civil Action No. 2:13-cv-141**

DEFENDANTS' RESPONSIVE CLAIM CONSTRUCTION BRIEF

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I. INTRODUCTION

In this case, Kroy IP Holdings, LLC ("Kroy") accuses online coupon systems offered by Defendants Safeway, Inc. ("Safeway") and The Kroger Co. ("Kroger") (collectively "Defendants") of infringing the U.S. Patent No. 7,054,830 (the "'830 patent"). Kroy did not invent online coupon systems. As the patent's background and Kroy's opening brief disclose, incentive programs and award fulfillment existed long before the '830 patent's earliest priority date.

The asserted independent claims are directed toward an "automated award fulfillment" system (claim 1) and method (claim 19). Throughout over six years of prosecution, the patent applicant narrowed the scope of the claims through amendments and attorney arguments to distinguish the prior art. The application was rejected in view of a patent to Storey directed toward a frequent flier program and later in view of a patent to Scroggie directed to an online targeted incentive program. To overcome these rejections, the applicant argued that the invention includes specific sponsor designations as well as tailoring of incentives based on demographic and psychographic preferences and amended the claims to require the same. Later, the amended claims were rejected in view of patents to Klug and Kanter directed toward targeting content based on Internet users' interests and market referral systems, respectively. To overcome these rejections, the applicant amended the claims yet again to require the system to communicate with inventory management systems associated with incentive program providers. Given the abundance of prior art and mature nature of online coupon and incentive programs, the asserted claims must be construed narrowly in accordance with the specification and the disclaimers of claim scope made by the applicant throughout prosecution.

Kroy now faces a dilemma. On the one hand, the original applicant told the U.S. Patent Office that prior art online targeted couponing systems do not disclose the '830 patent's claims.

But, on the other hand, Kroy now accuses both Defendants' online couponing systems of infringing the '830 patent. Trying to escape this dilemma, Kroy virtually ignores the intrinsic record and the applicant's representations to the Patent Office, instead relying on attorney argument, selective quotations from the specification, and extrinsic dictionary definitions to support its proposed constructions.[1] In contrast, Defendants call for claim constructions that are in harmony with the claim language and the intrinsic evidence. Kroy should not be permitted to artificially inflate the patent's scope by stripping from its claims the very intentions set forth in the prosecution history.[2]

II. PRINCIPLES OF CLAIM CONSTRUCTION

Although the claim language defines the legal scope of the patent, the primary source of evidence for claim construction is the *entire* body of intrinsic evidence, *i.e.,* "the patent itself, including the claims, the specification and, if in evidence, the prosecution history." *Vitronics Corp. v. Conceptronic, Inc.,* 90 F.3d 1576, 1582 (Fed. Cir. 1996). The Federal Circuit confirmed the primacy of intrinsic evidence in *Phillips v. AWH Corp*., 415 F.3d 1303, 1313 (Fed. Cir. 2005) (*en banc*). The highest and most reliable form of evidence is the patent and its prosecution history because this "intrinsic evidence" "was created by the patentee in attempting to explain and obtain the patent" and provides "evidence of how the PTO and the inventor understood the patent." *Id.* at 1317. "The purpose of consulting the prosecution history … is to exclude any interpretation that was disclaimed during prosecution." *Id. (*quoting *Chimie v. PPG Indus., Inc*., 402 F.3d 1371, 1384 (Fed. Cir. 2005) (internal quotations omitted)).

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[1] For ease of reference, Exhibit A is a chart setting forth the parties' proposed constructions for the terms at issue.
[2] In nine other lawsuits currently pending in this district, Kroy has accused others of infringing the '830 patent. Those lawsuits were filed in late-October and early-November 2013 and have not yet resulted in claim construction orders. Kroy previously asserted U.S. Patent 6,061,660, the "parent" of the '830 patent, in other lawsuits, but those were resolved prior to claim construction.

Extrinsic evidence, including inventor testimony, dictionaries, and treatises, is generally "less reliable than the patent and its prosecution history in determining how to read claim terms." *Id.* at 1318. However, "[w]hen the intrinsic evidence is silent as to the plain meaning of a term, it is entirely appropriate for the district court to look to dictionaries or other extrinsic sources for context – to aid in arriving at the plain meaning of a claim term." *Helmsderfer v. Bobrick Washroom Equip., Inc.*, 527 F.3d 1379, 1382 (Fed. Cir. 2008). The plain meaning of the term is "the meaning the term would have to a person of ordinary skill in the art in question ***at the time of the invention***, *i.e.*, as of the effective filing date of the patent application." Phillips, 415 F.3d at 1313 (emphasis added).[3]

III. BACKGROUND OF THE '830 PATENT AND ITS PROSECUTION HISTORY

According to the background of the '830 patent, prior art incentive programs were expensive for a sponsor to generate and administer. Ex. B ('830 patent) at 1:65-2:10. The online incentive programs known to the inventors were limited to a single sponsor, thus awards in the incentive programs were limited to products or services of the single sponsor. *Id.* at 5:11-26. The '830 patent tries to improve on the limitations of the prior art by disclosing a system where a host can provide sponsoring companies with the capability to buy prepackaged or self-built incentive programs, with the host – rather than the sponsor – storing and manipulating the databases required for the system to work. *Id.* at Abstract; 5:45-54; and Fig. 2. The invention includes a "host" system that allows sponsors to build incentive programs and creates the underlying software code to implement the sponsor-designed incentive program. Pl. Br. at p. 5.

In its opening brief, Kroy cites to select sections of the '830 patent's specification that purportedly support Kroy's proposed constructions. *E.g., id.* at 4-7. However, over the course of more than six years of prosecution, the applicant entered several amendments to narrow the

[3] Emphasis added throughout except as otherwise indicated.

claims beyond the broad disclosure of the specification. See the '830 patent prosecution history ('830 patent PH), generally[4]. The applicant also argued that the claim limitations overcame the prior art in specific ways, thus relinquishing broad claim constructions that would be inconsistent with the applicant's representations to the U.S. Patent Office. *Id.*

Kroy's opening brief highlights several exchanges between the applicant and the Patent Office during prosecution. Pl. Br. at pp. 7-9. Tellingly, Kroy omits any reference to the portions of the prosecution history in which the applicant amended claims and presented arguments to distinguish the invention from two patents to Scroggie – patents that disclose online supermarket incentive distribution systems not unlike those now accused of infringement.

Specifically, Kroy discloses that the claims were rejected over a prior art patent to Storey and the applicant argued in June 2001 that the claims overcome the prior art. *Id.* at pp. 7-8. Kroy then jumped to the applicant's January 2002 reply. *Id.* at p. 8. However, in September 2001 the examiner rejected the pending claims in view of U.S. Patent No. 6,014,634 to Scroggie (the '634 patent) – in addition to other references. Ex. C-1 ('830 patent PH, 9/26/01 OA) at 7-8. The '634 patent disclosed an online system for distribution of incentives. Ex. D ('634 patent) at 1:47-52. The '634 patent expressly discloses incentives being tailored such that they are "exercisable" in a customer's geographic region:

> The steps include logging in a remotely located customer using identity data and geographic region data transmitted by the customer over a communication network; transmitting back to the registered customer a plurality of incentive offers, ***the incentive offers being exercisable in the customer's geographic region***;

Id. at 1:56-61. The '634 patent also discloses tailoring incentives based on user demographic data and user prior purchase data:

[4] See the Appendix to Kroy's Opening Brief, at pp. A056-A875 for the entire U.S. prosecution history. Relevant portions are attached hereto as Exhibits C-1 through C-7.

> Use of the personal page permits manufacturers and retailers to focus incentives on specific consumers, ***based on demographic data and prior purchasing data in the consumer's personal database*** 606.

Id. at 14:66-15:2. After the September 2001 rejection, the applicant held an interview with the examiner, in which the examiner summarized the exchange as follows:

> Applicant's representative indicates that the combined references of record fails to teach or suggest ***sponsor designation*** of redemption of award. The Examiner suggest that applicant amends the claims by reciting that a "***sponsor designates specific items / consumer and location of award which is tailored to demographic and psychographic preferences of a consumer user***" into an independent form so as to define over the prior art.

Ex. C-2 ('830 patent PH, 1/5/2002 Summary of 12/18/2001 Interview) at 1. The applicant then amended the claims to expressly require sponsor selection of a specific award unit ***item***, sponsor selection of a specific ***consumer***, and sponsor selection of a specific ***location*** for fulfillment. Ex. C-3 ('830 patent PH, 1/25/2002 Reply to OA) at pp. 32-51.

Later, in April 2003, all pending claims were rejected as being anticipated by U.S. Patent No. 5,970,469 to Scroggie (the '469 patent). Ex. C-4 ('830 patent PH, 4/23/2003 OA) at p. 4. The '469 patent disclosed "transmitting back to the registered customer a plurality of incentive offers, the incentive offers being exercisable in the customer's geographic region." Ex. E ('469 patent) at 1:49-52. The '469 patent further disclosed transmitting supermarket specials "limited by supermarket shopping area determined from the user's ZIP or postal code." *Id.* at 8:34-38. In response, the applicant told the Patent Office that the sponsor, and not the consumer, selects the geographic location for fulfillment:

> First, the ***present invention*** allows far more flexibility for the ***sponsor*** of the incentive program to design his award fulfillment program, via various ***selections***, see claims as amended. Second, the present invention actually contradicts Scroggie in that the purpose of Scroggie ***is to provide convenience to the consumers, while the object of the present invention is to provide convenience to the sponsor***.

Ex. C-5 ('830 patent PH, 10/23/2003 Reply to OA) at p. 29.

IV. CONSTRUCTION OF DISPUTED TERMS

A. "Geographic Location for Fulfillment"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
No construction beyond the construction of "a sponsor-selected geographic location for fulfillment."	specific store where award can be redeemed

Kroy argues that the term "geographic location for fulfillment" (Term No. 15)[5] should not be construed separately from the term "a sponsor-selected geographic location for fulfillment" (Term No. 16). Pl. Br. at p. 31. Defendants disagree. The specification supports – and the prosecution history confirms – that the term "geographic location for fulfillment" should be construed as "specific store where award can be redeemed." Separately, the applicant represented to the Patent Office that the sponsor – and not the consumer – selects the specific location.

1. The Intrinsic Evidence Supports Defendants' Proposed Construction

Defendants' construction finds support throughout the intrinsic record, in both the specification and the prosecution history. The specification expressly discloses that the invention makes use of databases to identify the nearest retail location for fulfillment:

> Next at a step 434, the host computer 18 executes an algorithm that selects the appropriate fulfillment option for the prize. In particular, by comparing the geographic information of the consumer in the consumer database 200 and the information in the award database 204, the host computer 18 ***identifies the nearest retail location for fulfillment*** of the prize or, if no location is suitable, the prize may be mailed to the consumer.

Ex. B ('830 patent) at 21:64-22:4. The "nearest" retail location implies one specific location – multiple locations cannot each be "nearest." The patent explains that the geographic location for fulfillment is obtained based on data from a retailer's inventory management system:

[5] The "Term No." corresponds to the number assigned by Kroy in its opening brief. Pl. Br. at p. 31. While Kroy's opening brief addresses terms in the order presented in the Joint Claim Construction Chart, Defendants attempt to group terms by subject matter to avoid unnecessary repetition of citations to the specification and arguments made to the Patent Office.

> An application program connects the award database to the retailer's inventory system, so that each prize recorded in the award database can be tied, by an inventory number or SKU, to the exact item, or type of items, in the inventory of the retailer. In particular, ***the award database 204 can identify the geographic location of the prize, so that an application program can determine the closest geographic location of the retailer*** to the location of the consumer who has won a particular prize.

Id. at 46:25-34. Naturally, the determination of the closest retailer location that has an item in inventory is store specific – an award could be sold-out in one store but in inventory in another. The consumer may then go to the specific store where the award is located to redeem the award:

> Finally, ***when the consumer goes to the retail location, the consumer displays the consumer's electronic card*** 11 which includes the personal identification number that permits the retailer to confirm that the consumer is the consumer who has participated in the incentive program and has won the prize. … Confirmation may come from a processor verifying the amount and particular item (e.g., SKU or product number match) ***at the particular store associated with the winning consumer with credit on a credit or debit account***. Thus, the merchandise won by the consumer is easily obtained by the consumer at the most convenient retail location.

Id. at 22:17-31. For a consumer to display their electronic card to a retailer at a retail location, the location ***must be a specific store*** and not simply a geographic area.

This focus on using retailers' inventory management systems to determine the geographic locations of the closest retailer's store at which to redeem an award is repeated throughout the patent. *See, e.g., id.* at 15:41-47 ("… award database 204 can be automatically updated to reflect the ***retailer's current inventory*** …"); 41:11-21 ("… the award database may include … a description of the item ***and the number of items available***. …")).

The applicant's arguments during prosecution confirm that Defendants' construction should be adopted. To distinguish the prior art, the applicant told the Patent Office:

> Automated award fulfillment, ***according to the present invention***, includes sponsor designated or selected redemption whereby the sponsor of the award may … designate the location of the redemption (see Specification at page 95, line 20, for example). The selection can also include a specific consumer user selected by the sponsor which can, e.g., ***be instructed to go to a store identified as having the***

> ***award by the inventory management system to pick up the award unit*** (See for example page 97, line 14-17). The award unit can then ***be allocated from inventory to ensure availability upon a visit by the specific consumer user***. For example, the location may include the geographical location of the retailer, merchant, or point of sale (POS) (See for example page 96, lines 2-20).

Ex. C-6 ('830 patent PH, 6/8/2001 Reply to OA) at p. 24. According to the Court of Appeals for the Federal Circuit, claims should be construed in order to capture the scope of the ***actual invention:***

> In this case, while the claims leave open the possibility that the recited "body" may encompass a syringe body composed of more than one piece, the specifications tell us otherwise. They expressly recite that "the invention" has a body constructed as a single structure, ***expressly distinguish the invention from the prior art based on this feature***, and only disclose embodiments that are expressly limited to having a body that is a single piece. Thus, a construction of "body" that limits the term to a one-piece body ***is required to tether the claims to what the specifications indicate the inventor actually invented***.

Retractable Techs., Inc. v. Becton, Dickinson and Co., 653 F.3d 1296, 1305 (Fed. Cir. 2011) (emphasis added). In order for the invention to allocate from inventory an award for a specific consumer user to ensure availability, the geographic location for fulfillment ***must*** be the specific store where the award can be redeemed.

As discussed above, the claims were rejected as anticipated by the '469 patent to Scroogie. Ex. C-4 ('830 patent PH, 4/23/2003 OA) at p. 4. The '469 patent disclosed "incentive offers being exercisable in the customer's geographic region" and supermarket specials "limited by supermarket shopping area determined from the user's ZIP or postal code." Ex. E ('469 patent) at 1:49-52, 8:34-38. The applicant countered that the "***invention*** includes various differences over the applied references of record" including "providing a ***sponsor-selected geographic location for fulfillment***." Ex. C-5 ('830 patent PH, 10/23/2003 Reply to OA) at p. 29. By making such arguments to the Patent Office, the applicant relinquished any potential claim construction that would cover a retailer limiting incentives based on a geographic region.

Thus, the term "geographic location for fulfillment" should be construed in accordance with the applicant's representations to the Patent Office as "specific store where award can be redeemed."

2. Kroy's Proposed Construction Ignores the Intrinsic Evidence and Impermissibly Relies on Extrinsic Evidence

Kroy presents several arguments in an apparent attempt to evade the intrinsic record created during prosecution. For the following reasons, Kroy's arguments should be rejected.

First, Kroy argues that the phrase "geographic location for fulfillment" need not be construed. Pl. Br. at p. 31. However, "[w]hen the parties raise an actual dispute regarding the proper scope of these claims, the court, not the jury, must resolve that dispute." *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360 (Fed. Cir. 2008). Because the parties dispute the scope of this limitation, the claim term "geographic location for fulfillment" should be construed.

Next, Kroy cites to a handful of dictionary definitions to escape the intrinsic record. Pl. Br. at pp. 32-33. But, it is a legal error to rely on extrinsic evidence, such as dictionary definitions, to overcome arguments made by the applicant in the intrinsic record. *Power Integrations Inc. v. Fairchild Semiconductor Int'l Inc.*, 711 F.3d 1348, 1362 (Fed. Cir. 2013) ("Unless the inventor intended a term to cover more than the ordinary and customary meaning ***revealed by the context of the intrinsic record***, it is improper to read the term to encompass a broader definition simply because it may be found in a dictionary, treatise, or other extrinsic source." (Emphasis in original; internal citation omitted)). Thus, Kroy's attempt to expand the term beyond the context of the intrinsic record by citing to dictionary definitions should be rejected.

Kroy then attempts to rely on the presumption that the article "a" means "one or more" in claims using the transitional phrase "comprising." Pl. Br. at p. 33. While there is a strong presumption that the article "a" means "one or more," and exceptions to the rule are limited, the presumption is overcome "when the patentee evinces a clear intent to so limit the article." *KCJ Corp. v. Kinetic Concepts, Inc.*, 223 F.3d 1351, 1356 (Fed. Cir. 2000). In this case, even if the specification left any doubt as to whether the geographic location of fulfillment was limited to a specific location – it does not – the applicant's arguments to the Patent Office further evince the intent to limit the geographic location for fulfillment to ***the*** specific store – not one or more – where the award can be redeemed (*e.g.*, Ex. C-6 ('830 patent PH, 6/8/2001 Reply to OA, p. 24) ("according to the ***present invention*** … The award unit can then ***be allocated from inventory to ensure availability upon a visit by the specific consumer user***")).

The inventors confirmed this intent during prosecution of a foreign counterpart application, stating, "[t]he present invention can direct the specific consumer to pick up a specific item/award at a specific location." Ex. F-1 (European Patent App. No. 98953542.2 prosecution history[6] (EPO PH), 9/11/2001 letter[7]) at p. 4. In a later letter, the applicant expanded on this explanation, stating:

> The present invention can direct the specific customer to pick up a specific item/award at a specific geographic location, all selected by the provider. The present invention allows a provider such as a sponsor to direct specific consumers to specific destination stores for fulfillment of an award.

Ex. F-2 (EPO PH, 4/25/2002 letter) at p. 5.

Finally, Kroy agrees that the patent discloses "implementations of the invention in which a consumer is directed to a particular store to redeem an award." Pl. Br. at p. 35. However, Kroy then posits that "this is only one possible implementation and the specification contains no

[6] In this case, representations to the European Patent Office are relevant to the scope of the invention, not just the claims presented to the foreign patent office, and thus should be considered for claim construction. *Tanabe Seiyaku Co., Ltd., v. ITC*, 109 F.3d 726, 773 (Fed. Cir. 1997) ("representation[s] to foreign patent offices should be considered … when [they] comprise relevant evidence." (ellipsis and brackets in original) quoting *Caterpillar Tractor Co. v. Berco, S.p.A.*, 714 F.2d 1110, 1116 (Fed. Cir. 1983)).

[7] Ex. F is the entire EPO PH to provide context for Ex. F-1 (EPO PH, 9/11/2001 letter) and Ex. F-2 (EPO PH, 4/25/2002 letter).

limiting language requiring that a sponsor must always designate a single store for redemption." *Id.* Just as claims should not be read in a vacuum, claims should not be read with suspended logic. While the specification does not ***expressly*** state that the sponsor must designate a single store for redemption, the specification ***repeatedly states*** that the location for fulfillment is based on the inventory at a particular location – in other words, the inventory that a particular store has on hand. As Kroy stated in its opening brief, the applicant emphasized during prosecution that the sponsor may "determine what award unit … will be provided to the consumer user, by communicating with an ***inventory management system of multiple provides*** [sic] and may designate ***the*** location of redemption." Pl. Br. at pp. 8-9 (emphasis in original). While the specification does not expressly state that the sponsor must designate a specific store for redemption, the specification explains that the retailer location is selected because it has the award in inventory. Thus, logic dictates that the "geographic location for fulfillment" must be the specific store where the award can be redeemed.

In sum, despite Kroy's attempts to use extrinsic evidence and presumptions to overcome the intent evidenced in the specification and prosecution history, the term "geographic location for fulfillment" should be construed as "specific store where award can be redeemed."

B. "Sponsor-Selected Geographic Location For Fulfillment"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
No construction necessary. If construed, the term means: "one or more places selected by a sponsor for fulfillment."	specific store where award can be redeemed selected by the sponsor (not the consumer)

Kroy argues that the term "a sponsor-selected geographic location for fulfillment" (Term No. 16) does not require construction. Pl. Br. at p. 31. Again, because the parties dispute the term's scope, it must be construed. *O2 Micro,* 521 F.3d at 1360.

The construction of the term "geographic location for fulfillment" is addressed above. The remaining dispute is whether "sponsor-selected" used in this limitation means "selected by the sponsor," as Kroy posits, or "selected by the sponsor (not the consumer)." Because Kroy disclaimed a consumer selecting the location for fulfillment, Defendants' proposed construction should be adopted. *Phillips*, 415 F.3d at 1317 ("The purpose of consulting the prosecution history … is to exclude any interpretation that was disclaimed during prosecution" (internal quotations omitted)).

Analysis of the intrinsic evidence starts with the claim language itself. *Apex Inc. v. Raritan Computer, Inc*., 325 F.3d 1364, 1371 (Fed. Cir. 2003), cert. denied, 540 U.S. 1073 (2003) ("In analyzing the intrinsic evidence, we start with the language of the claims and engage in a 'strong presumption' that claim terms carry their ordinary meaning as viewed by one of ordinary skill in the art."). The claims state "***sponsor-selected*** geographic location for fulfillment." Therefore, the only logical inference from the claims is that the geographic location for fulfillment is ***not consumer selected***.

Moreover, the applicant disclaimed consumer selection of a fulfillment location by arguing to the Patent Office that the sponsor, and not the consumer, selects the geographic location for fulfillment:

> First, the present invention allows far more flexibility for the ***sponsor*** of the incentive program to design his award fulfillment program, via various ***selections***, see claims as amended. Second, the present invention actually contradicts Scroggie in that the purpose of Scroggie ***is to provide convenience to the consumers, while the object of the present invention is to provide convenience to the sponsor***.

Ex. C-5 ('830 patent PH, 10/23/2003 Reply to OA) at pp. 29-30.

The applicant likewise disclaimed consumer selection of a location for fulfillment in arguments before the European Patent Office:

> The ***present invention differs from conventional incentive program data processing systems*** that are limited to e-coupon redemption systems designed to provide customer focused discount e-coupons. … For example, ***conventional incentive program data processing systems allow consumers*** to choose, e.g., e-coupon offers, and ***to select a consumer-desired fulfillment location***. These systems fall short of providing an industrial application that benefits the promotion provider because the provider cannot automate the generation of a promotion program that ***provides for the selection of a specific item to be redeemed at a specific location***.

Ex. F-2 (EPO PH, 4/25/2002 letter) at p. 5.

In sum, Defendants' proposed construction should be adopted because the applicant disclaimed consumer selection of a geographic location for fulfillment before both the U.S. and European Patent Offices.

C. "Award Unit Item"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
No construction necessary beyond the construction of "sponsor-selected specific award unit item."	item available as an award from the inventory management system

Kroy argues that the term "award unit item" (Term No. 11) should not be construed separately from the term "sponsor-selected [specific] award unit item" (Term No. 10). Pl. Br. at p. 27. Defendants disagree. The intrinsic evidence gives "award unit item" a specific meaning. Separately, the claims require the item to be selected by the sponsor and not a consumer.

To be consistent with the specification, the terms "awards," "award units," and "award unit items" must have progressively narrower definitions. "Awards" is the broadest term:

> The term 'prize' and the term 'award' should be understood to be synonymous and to encompass all types of incentives, including merchandise, coupons, points, cash, services and other forms of incentives.

Ex. B ('830 patent) at 7:44-47. "Award units" require additional information: "[t]he prize or reward and all of the corresponding identifying or classifying information can be characterized as an award unit." *Id.* at 41:20-22. The specification does not expressly use the term "award unit item" outside of the claims. However, an award unit "item" cannot just be any award unit or it would read the term out of the claim – it must be an ***item*** that is selected as an award unit. The '830 patent explains that retailers make ***items*** in their inventory available as awards or prizes:

> Systems and methods ***of the present invention*** further permit retailers to make ***retail items in their inventory available to sponsors*** for association with incentive programs as prizes.

Id. at 6:20-23. Thus, Defendants' construction of "award unit item" as "item available as an award from the inventory management system" is required to tether the claim to what the specification indicates the inventor actually invented. *Retractable Techs.,* 653 F.3d at 1305 ("a construction of "body" that limits the term to a one-piece body is required to tether the claims to what the specifications indicate the inventor actually invented").

Kroy argues that an "award unit item" as claimed does not actually have to be an ***item*** – it just has to be an award unit. Pl. Br. at p. 26. Kroy's argument should be rejected because it impermissibly tries to read the word "item" out of the claims to broaden the scope of the claims to cover the accused systems. *See Merck & Co. v. Teva Pharm. USA, Inc.*, 395 F.3d 1364, 1372 (Fed. Cir. 2005) ("A claim construction that gives meaning to all the terms of the claim is preferred over one that does not do so."); *SRI Int'l v. Matsushita Elec. Corp. of Am.,* 775 F.2d 1107, 1118 (Fed. Cir. 1985) ("claims are not construed 'to cover' or 'not to cover' the accused device.").

As discussed above, Kroy finds itself in a dilemma because during prosecution the applicant narrowed the claims to explicitly require the sponsor to select a "specific award unit ***item***," but now Kroy accuses Defendants' online coupon systems of infringement. This presents a problem for Kroy because coupons are not ***items*** in a retailer's inventory. Thus, Kroy attempts to broaden the claims beyond their express terms to recapture the scope given up during prosecution. Kroy's transparent attempt to read the term "item" out of the claims to cover the accused systems should be rejected.

D. "Sponsor-Selected Specific Award Unit Item"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
a specific award and corresponding identifying and/or classifying information selected by the sponsor to be associated with a particular incentive program	the specific item available as an award from the inventory management system selected by the sponsor (not the consumer)

Kroy argues for a broad construction of the term "a sponsor-selected specific award unit item" (Term No. 10). The construction of the term "specific award unit item" is addressed above. Thus, the remaining dispute is whether "sponsor-selected" used in this limitation means simply "selected by the sponsor," as Kroy posits, or "selected by the sponsor (not the consumer)." Because Kroy disclaimed a consumer selecting the specific award unit item during prosecution, Defendants' proposed construction should be adopted. *Phillips*, 415 F.3d at 1317 ("The purpose of consulting the prosecution history is to exclude any interpretation that was disclaimed during prosecution" (internal citation omitted)).

At one point during prosecution, the pending claims were rejected as being unpatentable over patents to Klug and Kanter. Pl. Br. at p. 8. In response to the rejection, the applicant argued that the Kanter patent allowed for a consumer to select an item to be redeemed, while the claims require the selection to be made by the sponsor:

> ***Kanter's system does not allow a sponsor to designate an item to be redeemed***. Kanter has no knowledge of merchant provider's inventory data, let alone real time knowledge and allocation of inventory. Kanter only allows a designation of a redemption location and a general amount of redemption. ***Kanter, also teaches consumer user selection of an item to be redeemed*** in exchange for accumulated credit value.
> …
> ***Automated award fulfillment, according to the present invention, includes sponsor designated or selected redemption whereby the sponsor of the award may select or determine what award unit*** (see Specification at page 93, line 9, for example) ***will be provided to the consumer user***, by communicating with an

> inventory management system of multiple providers and may designate the location of the redemption (see Specification at page 95, line 20, for example).

Ex. C-7 (‘830 patent PH, 8/26/2002 Reply to OA) at p. 23-24.

Because the applicant disclaimed consumer selection of an award unit item in arguments made to the Patent Office to distinguish the prior art, the claims must now be construed consistent with those representations to exclude consumer selection of a specific award unit item. Thus, Defendants’ proposed construction should be adopted.

E. “Sponsor-Selected Consumer User”

KROY’S PROPOSED CONSTRUCTION	DEFENDANTS’ PROPOSED CONSTRUCTION
No construction necessary. If construed, the term means: “one or more consumer users selected by a sponsor.”	a particular consumer selected from a group of consumers by the sponsor based on demographic and psychographic criteria

Kroy argues that the term “sponsor-selected consumer user” (Term No. 14) does not require construction. Pl. Br. at p. 30. The gist of Kroy’s argument is that the claim term is not ambiguous, and thus it does not require construction. *Id.* Kroy posits – with no citation to law or evidence – that “Defendants’ proposal would add a new requirement that just isn’t there.” *Id.* But the applicant made the opposite representation to the Patent Office to obtain its patent.

“A patentee is bound by representations made and actions that were taken in order to obtain a patent.” *Typhoon Touch Techs, Inc., v. Dell, Inc.,* 659 F.3d 1376, 1381 (Fed. Cir. 2011); *See Phillips,* 415 F.3d at 1317 (“The purpose of consulting the prosecution history … is to exclude any interpretation that was disclaimed during prosecution” (internal quotations omitted)). During prosecution of the application that issued as the ‘830 patent, the applicant expressly represented to the Patent Office that the consumer user is selected by a sponsor based on demographic and psychographic criteria:

> Applicant asserts that from any fair reading of the claims, it should be clear to those skilled in the art how the consumer is awarded, and how ***a consumer is***

> ***selected by a sponsor based on demographic and psychographic (behavior based demographic) criteria***, as required by the first Examiner to place the claim in condition for allowance.

Ex. C-5 ('830 patent PH, 10/23/2003 Reply to OA) at p. 27. Defendants' proposed construction mirrors the representations made by the applicant to the Patent Office. Defendants' proposed construction thus should be adopted because it excludes from the claim a broader interpretation expressly disclaimed by the applicant during prosecution.

F. "Psychographic Preferences"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
preferences associated with a consumer's attitudes, interests, values, opinions or behaviors	preferences based on non-directly observable traits of a consumer (*e.g.,* interests, opinions values, attitudes, lifestyles)

The parties dispute the proper construction of "psychographic preferences." (Term No. 13). The specification is silent as to the meaning of the term.

Because the intrinsic evidence does not define the term "psychographic preferences," it is proper to consult extrinsic evidence to aid in arriving at the plain meaning of the term. *Helmsderfer*, 527 F.3d at 1382. The plain meaning of the term is "the meaning that the term would have to a person of ordinary skill in the art in question ***at the time of the invention***." *Phillips,* 415 F.3d at 1313 (emphasis added).

Industry-specific dictionaries from the time of the invention confirm that Defendants' proposed construction should be adopted. The Dictionary of Social Market Research, published in 1996, defines psychographics as:

> The categorization of a market or other population groups, e.g., consumers, on the basis of psychological – as distinguished from demographic – dimensions, including activities, interests, opinions, values, attitudes, lifestyles, personality traits, such as innovativeness, sophistication, etc. In contrast, demographics describe states of physical being – age, sex, marital status, income, occupation, location, education, religious affiliation. ***Because a person is seldom able to define these traits directly, they must be measured indirectly***. Psychographics, therefore, are subject to ambiguous definition. They are "soft" statistics. By

> contrast, most demographic statistics have unambiguous definitions that cut across population segments and cultures. Some marketers argue that psychographics have replaced demographics for planning and marketing consumer products.

Ex. G (Dictionary of Social Market Research). The Encyclopedia of Survey Research Methods, published in 2008, defines psychographic measure as:

> [A] variable that represents a personal characteristic of an individual that is not [p. 635 ↓] a physical trait, as are demographic measures (age, gender, height, etc.). Rather, psychographic variables include personality traits, lifestyle preferences or interests, values or beliefs, and attitudes or opinions.
> ***Because psychographics are not directly observable, as are many demographics***, nor do they have a "factual" basis as do demographics, their measurement is less precise. Surveys are routinely used to measure psychographics, and they can serve as powerful independent variables in helping explain many dependent variables of interest.

Ex. H (Encyclopedia of Survey Research Methods). These industry-specific dictionaries published nearly contemporaneously with the alleged priority date of the asserted claims (December 1997) and the issue date of the patent (May 2006) explain that psychographic traits are non-directly observable traits. Thus, the plain meaning of "psychographic preferences" at the time of the invention was preferences based on non-directly observable traits of a consumer (*e.g.*, interests, opinions, values, attitudes, lifestyles).

Defendants' proposed construction is consistent with the specification, which discloses that psychographic or demographic information may be "obtained through consumer responses to inquiries answered by the consumer" or through "survey-completion and question-and-answer incentive programs." Ex. B ('830 patent) at 13:18-22; 41:62-67. As explained above, "[s]urveys are routinely used to measure psychographics." Ex. H (Encyclopedia of Survey Research Methods). Thus, Defendants' proposed construction is in harmony with the intrinsic record and should be adopted.

Kroy argues for its construction based on online definitions[8] accessed in 2013. Pl. Br. at p. 29. However, when it is proper to consult extrinsic evidence, the extrinsic evidence should define the term as of the date the patent issued. *Inverness Medical Switzerland GmbH v. Princeton Biomeditech Corp.,* 309 F.3d 1365, 1370 (Fed. Cir. 2002)[9] ("We may look, therefore, to the dictionary definition of the claim term "mobility" ***as of the date the patents issued***") (emphasis added). Because the definitions from technical dictionaries published contemporaneously with the '830 patent's prosecution and issuance are consistent with Defendants' construction, Defendants' construction reflects the plain meaning of the term at the time of the invention and should be adopted.

Moreover, the weight given to a dictionary definition should be further discounted when the definition introduces ambiguity into the claim term. *See Ultimax Cement Mfg. Corp. v. CTS Cement Mfg. Corp*., 587 F.3d 1339, 1347 (Fed. Cir. 2009). Here, the asserted claims require the specific award unit item to be tailored "to demographic ***and*** psychographic preferences of a sponsor-selected consumer user." Ex. B ('830 patent) at 47:25-28, 50:17-20. Kroy's proposed construction blurs the lines between "demographic … preferences" and "psychographic preferences," thus adding ambiguity into the claim. In contrast, Defendants' proposed construction would assist the jury with analyzing validity and infringement by clarifying the distinctions between "demographic … preferences" and "psychographic preferences."

Defendants' proposed construction is also consistent with the relevant extrinsic evidences' distinction between directly observable demographic preferences and non-directly observable psychographic preferences. As the Dictionary of Social Market Research explains:

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[8] One of the online definitions is a Wikipedia article. Because Wikipedia allows users to anonymously write or make changes to articles, the reliability of a definition provided in a Wikipedia article is questionable. *See* Ex. I (http://en.wikipedia.org/wiki/Wikipedia:About) (last visited 2/26/2014) ("Anyone with Internet access can write and make changes to Wikipedia articles, except in limited cases where editing is restricted to prevent disruption or vandalism. Users can contribute anonymously, under a pseudonym, or, if they choose to, with their real identity.").

[9] The *Inverness* Court noted that "[o]ur decisions have not always been consistent as to whether the pertinent date is the filing date of the application or the issue date of the patent. … No party here has suggested that the pertinent sources changed between the application and issuance dates." 309 F.3d at n. 1. Because the evidence shows Defendants' proposed construction is consistent with the plain meaning in the industry from just before the application date until shortly after the issuance date, Defendants' proposed construction should be adopted.

> Because a person is seldom able to define these traits directly, they must be measured indirectly. Psychographics, therefore, are subject to ambiguous definition. They are "soft" statistics. ***By contrast, most demographic statistics have unambiguous definitions that cut across population segments and cultures***.

Ex. G (Dictionary of Social Market Research). The Encyclopedia of Survey Research Methods further explains:

> A psychographic measure is a variable that represents a personal characteristic of an individual that is not [p. 635 ↓] ***a physical trait, as are demographic measures (age, gender, height, etc.).*** Rather, psychographic variables include personality traits, lifestyle preferences or interests, values or beliefs, and attitudes or opinions. ***Because psychographics are not directly observable, as are many demographics, nor do they have a "factual" basis as do demographics***, their measurement is less precise.

Ex. H (Encyclopedia of Survey Research Methods). For this further reason, Defendants' proposed construction should be adopted.

G. "Demographic … Preferences"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
preferences associated with a group of consumers that has a particular set of qualities	preferences based on directly observable traits of a consumer (*e.g.*, sex, marital status, income, occupation, location)

The parties dispute the proper construction of "demographic … preferences." (Term No. 12). Pl. Br. at p. 27. The specification is silent as to the meaning of the term.

The asserted claims require the specific award unit item to be tailored "to demographic ***and*** psychographic preferences of a sponsor-selected consumer user." Ex. B ('830 patent) at 47:25-28, 50:17-20. Thus, the terms "demographic … preferences" and "psychographic preferences" should be construed to clarify the scope of the distinct claim limitations. Defendants' proposed construction should be adopted because it is consistent with the plain language of the claims – which distinguish demographic ***and*** psychographic preferences – and is consistent with the relevant extrinsic evidence as discussed immediately above.

Kroy's proposed construction should be rejected because it is based solely on general purpose dictionaries dated well before the '830 patent's priority date or well after its issue date. Specifically, the American Heritage Dictionary cited by Kroy was published in 1985, 12 years before the earliest priority date, and the Webster's online dictionary was accessed by Kroy in December, 2013, over 7 years after the issue date.

Moreover, Kroy's proposed construction should be rejected because it fails to clarify the scope of the claim. The phrase "that has a particular set of qualities" introduces ambiguity into the claim because it has no apparent limitation. *See Ultimax*, 587 F.3d at 1347 (the weight given to a dictionary definition should be further discounted when the definition introduces ambiguity into the claim term). Kroy's construction punts the question from what "demographic" means to what a "particular set of qualities" means without clarifying the claim's scope. Further, Kroy's proposed construction would improperly encompass – and render meaningless – its own construction for the distinct term "psychographic preferences" as consumers having a "particular set of qualities" could include consumers with a particular set of "attitudes, interests, values, etc." *Compare* Kroy's proposed constructions for terms 12 and 13. *See Merck & Co.*, 395 F.3d at 1372 ("A claim construction that gives meaning to all the terms of the claim is preferred over one that does not do so."). Accordingly, Kroy's proposed construction should be rejected.

H. "Automated Award Fulfillment"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
No construction necessary. If construed, the term means: "award fulfillment involving computer controlled steps."	Award allocation and redemption without customer action

The parties dispute the proper construction of "automated award fulfillment." (Term No. 3). Pl. Br. at pp. 15-18.

The '830 patent discloses that award fulfillment includes both award allocation and redemption:

> FIG. 22 is a flow chart 650 depicting ***the basic steps of award fulfillment***. At a step 652, for each award or reward several important pieces of data may be stored in the award database. At a step 654 an incentive program is established, as described above. At a step 656, ***the consumer wins an award***, and at a step 658, ***the award is redeemed*** at a retailer using a card.

Ex. B ('830 patent) at 41:2-9.

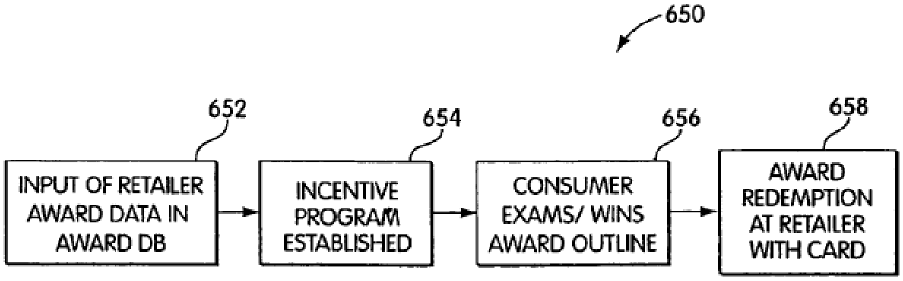
650
652
INPUT OF RETAILER AWARD DATA IN AWARD DB
654
INCENTIVE PROGRAM ESTABLISHED
656
CONSUMER EXAMS/ WINS AWARD OUTLINE
658
AWARD REDEMPTION AT RETAILER WITH CARD

Fig. 22

Id. at Fig. 22. Thus, in view of the intrinsic evidence, "***automated*** award fulfillment" must mean that the claimed systems and methods ***automate*** award allocation (the consumer earns an award) and award redemption (the consumer obtains the award). Defendants' proposed construction thus harmonizes the term with the intrinsic record. In contrast to manual award fulfillment, in which a customer would have to manually redeem the allocated award, automated award fulfillment logically means award fulfillment without requiring customer action.

Kroy presents an array of attorney arguments aimed at Defendants' proposed construction, each of which should be rejected. Pl. Br. at pp. 15-18.

Kroy argues without explanation that the preamble is not a limitation of the claim. Pl. Br. at p. 15. But during prosecution the applicant relied on this limitation to distinguish the prior art. *See, e.g.,* Ex. C-7 ('830 patent PH, 8/26/2002 Reply to OA) at p. 24 ("Unlike Klug, Applicant's invention deals with automated award fulfillment."); Ex. C-5 ('830 patent PH, 10/23/2003 Reply to OA) at p. 28 ("The excerpt of Scroggie '469 relied upon by the Examiner, col. 10-col. 12 with relation to claim 39, relates to a process of "dynamic coupon creation" this has nothing to do with automated fulfillment."). Kroy's argument should be rejected because the record shows that the applicant intended this term as a limitation to distinguish the claims during prosecution.

Kroy also argues that Defendants' construction contradicts the ***intrinsic*** record. Pl. Br. at p. 16. Oddly, to support its argument, Kroy cites to dictionary definitions – which are ***extrinsic*** evidence. Pl. Br. at p. 17. However, as discussed above, the intrinsic evidence supports Defendants' proposed construction.

Kroy then argues that the claims do not suggest a process "automated to the extent of eliminating all customer action whatsoever." *Id.* Rather, it argues that the claimed "process makes use of ***some degree of automatic operation or control***, not the elimination of all human involvement." *Id.* Kroy's proposed construction – "award fulfillment involving computer controlled steps" – likewise fails to delineate the scope of the claim by failing to clarify which steps, or how many steps, are computer controlled. Because Kroy's proposal fails to clarify – and in fact blurs – the metes and bounds of the claims, it should be rejected.

Next Kroy cites to various portions of the specification that disclose consumer's participation in reward redemption. Pl. Br. at p. 17. However, these portions of the specification are unrelated to "automated award fulfillment," and thus extraneous to this analysis which should be properly focused on the disputed term.

Because Defendants' construction clarifies the scope of the claim consistent with the intrinsic evidence, it should be adopted.

I. "Inventory Management System"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION

No construction necessary. If construed, the term means: "one or more systems that manage inventory."	a system maintained by a retailer to keep track of its available merchandise

The parties dispute the proper construction of "inventory management system" (Term No. 7). Pl. Br. at pp. 22-24. Defendants' propose construing the term consistent with the specification and the applicant's representations to the Patent Office. Kroy argues that the term does not require construction or, alternatively, that it should be construed circularly as "one or more systems that manage inventory." For the following reasons, Defendants' proposal should be adopted.

The '830 patent discloses that a retailer maintains a retailer inventory system to determine whether items are in inventory:

> The EDI connection 126 is to a proprietary retailer inventory system 212. Thus the retailer computer 16 is configured to query and retrieve information from the retailer inventory system 212 regarding the exact products in the retailer inventory system 212.

Ex. B ('830 patent) at 11:48-52. Further, as shown in figure 2 of the patent, the retailer inventory system 212 is a subsystem under the retailer computer. *Id.* at Fig. 2. The applicant distinguished the Kanter reference during prosecution by touting the claims' benefit of facilitating a merchant's real-time knowledge:

> Kanter's system does not allow a sponsor to designate an item to be redeemed. Kanter has no knowledge of merchant provider's inventory data, let alone real time knowledge and allocation of inventory.
>
> …
>
> Automated award fulfillment, according to the present invention, includes sponsor designated or selected redemption whereby the sponsor of the award may select or determine which award unit (see Specification at 93, line 9, for example) will be provided to the customer, ***by communication with an inventory management system of multiple providers*** and may designate the location of the redemption (see Specification at page 95, line 20, for example). The selection can also include a specific consumer user selected by the sponsor which can, e.g., be instructed to go to a store ***identified as having the award by the inventory management system*** to pick up the award unit (See for example page 97, line 14-

> 17). ***The award unit can then be allocated form inventory to ensure availability*** upon a visit by the specific consumer user.

Ex. C-7 ('830 patent PH, 8/26/2002 Reply to OA) at p. 25. By arguing to the Patent Office that the invention overcomes a prior art reference that did not expressly disclose having knowledge of merchant inventory data, let alone real time knowledge of inventory, the applicant relinquished the open-ended construction Kroy now proposes. Thus, the term "inventory management system" should be construed in accordance with the applicant's representations to the Patent Office as "a system maintained by a retailer to keep track of its available merchandise."

J. "Associated With Each"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
No construction necessary. If construed, the term means: "having some association with each."	connected through an electronic data interchange connection with the custom interface of each

The parties dispute the proper construction of "associated with each" (Term No. 8). Pl. Br. at pp. 24-25. Defendants' construction should be adopted because it clarifies the scope of the term in view of the intrinsic record, which discloses that the "award database … is also connected via ***an electronic data interchange 126 to the proprietary inventory system 212***." Ex. B ('830 patent) at 15:41-44; *see also* 39:18-21 ("The award database 204 may also be built by a connection, ***through an electronic data interchange connection 126 custom interface, to the retailer's proprietary inventory system*** 212"). Further, the plain meaning of the term "interchange" implies that the inventory management systems each have a custom (*i.e.*, proprietary) interface, otherwise there would be no need for the system to have an interchange connection. Defendants' proposed construction clarifies the scope of an unclear limitation by construing it consistent with the intrinsic record.

Kroy disputes Defendants' proposed construction based on extrinsic evidence. Pl. Br. at p. 24. Kroy relies on a dictionary definition and posits that association "broadly implies any connection or relationship between." *Id.* In essence, Kroy's proposed construction broadens the "associated with each" limitation to the point that has no effect on the claim's scope, thus its proposed construction should be rejected. *See Merck* , 395 F.3d at 1372 ("A claim construction that gives meaning to all the terms of the claim is preferred over one that does not do so.").

Kroy also argues that the specification discloses "an ***example*** system in which an award database is connected via an electronic data interchange connected to a retailer's inventory management system." Pl. Br. at p. 24. But contrary to Kroy's argument, the specification discloses that the ***invention*** includes an electronic data interchange connected to a retailer's inventory management system. *See,* Ex. B ('830 patent) 8:56-57 ("FIG. 2 is a schematic diagram of the primary hardware components of the host system ***of the present invention***.").

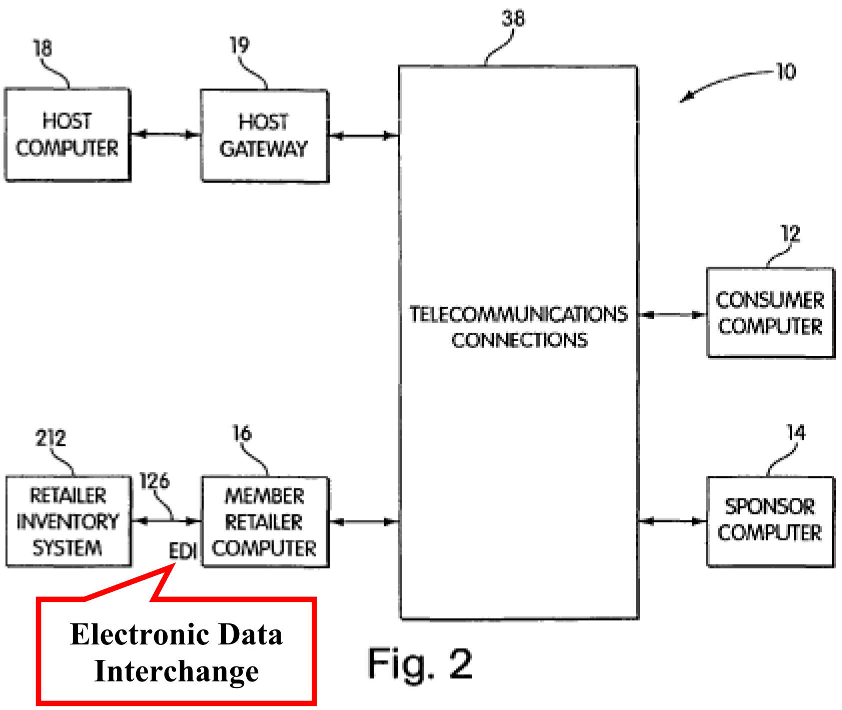
18
19
38
10
HOST COMPUTER
HOST GATEWAY
TELECOMMUNICATIONS CONNECTIONS
12
CONSUMER COMPUTER
212
16
14
RETAILER INVENTORY SYSTEM
126
EDI
MEMBER RETAILER COMPUTER
SPONSOR COMPUTER
Electronic Data Interchange

Fig. 2

Fig. 2 (shown above with annotation showing EDI 126 connecting member retailer computer 16 to retailer inventory system 212). Defendants' proposed construction is proper to limit the scope of the claims to what the specification indicates that the inventors actually invented. *Retractable Techs.,* 653 F.3d at 1305 ("a construction of "body" that limits the term to a one-piece body is required to tether the claims to what the specifications indicate the inventor actually invented").

K. "Provider"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
a participant who provides awards associated with an incentive program	individual or company that provides an incentive program

The parties dispute the proper construction of "provider" (Term No. 6). Pl. Br. at pp. 20-22. Defendant's proposed construction is consistent with the intrinsic evidence and, thus, should be adopted. Analysis of the intrinsic evidence starts with the claim language itself. *Apex*, 325 F.3d at 1371. The claims refer to "incentive programs ***of a plurality of providers***." Ex. B ('830 patent) at claims 1 and 19. The plain language of the claims evidences that the claim term "provider" means "individual or company that provides an incentive program."

The specification further supports Defendants' construction. The specification does not use the term "provider" with reference to any of the primary components of the system of the invention. *See* Ex. B ('830 patent) 8:56-57 ("FIG. 2 is a schematic diagram of the primary hardware components of the host system of the present invention."); Fig. 2. However, it implicitly discloses that the term "provider" means an individual or company that "provides" something based on the surrounding context. Ex. B ('830 patent) at 2:24-27 ("a typical ***provider of promotional services*** is involved with many different promotions"); 4:63-65 ("Burton et al. does not provide for tracking of data for participation of a given consumer in incentive programs ***of multiple program providers***"); 30:42-44 ("Incentive programs may also be computer games licensed from ***third party game providers***.").

In contrast to Defendants' construction, which harmonizes the claim term with the intrinsic evidence, Kroy proposes a construction that tries to read the term "provider" out of the claim by conflating it with the term "participant." Specifically, claim 19 refers to "inventory management systems associated with each of a plurality of ***providers***" and separately claims that "a ***participant*** may participate in said incentive programs." Kroy's construction would eliminate the distinction between the terms "participant" and "provider" as used in claim 19, which improperly eliminates the distinction from the claim. *See Merck*, 395 F.3d at 1372 ("A claim construction that gives meaning to all the terms of the claim is preferred over one that does not do so."). Thus, Kroy's proposed construction should be rejected.

L. "Host"

KROY'S PROPOSED CONSTRUCTION	DEFENDANTS' PROPOSED CONSTRUCTION
any individual or company who provides a host computer for permitting sponsoring companies to offer incentive programs to consumers, employees, suppliers, partners and the like of the individual company	individual or company who wishes to provide a system for permitting sponsoring companies to offer incentive programs to customers

The parties dispute the proper construction of "host" (Term No. 4). Pl. Br. at p. 19. In its opening brief, Kroy proposed a new construction of the term "host:

> any individual or company who wishes to provide a system for permitting sponsoring companies to offer incentive programs to consumers, employees, suppliers, partners and the like of the individual or company

Id. The parties appear to now agree in concept, although Defendants believe that their proposal will be more helpful to a jury. Specifically, Kroy's new proposal adds unnecessary bulk to a simple term and leads to potential confusion in two ways. First, the term "any" used in Kroy's proposed construction creates confusion when the construction is substituted into the claim: "a host computer…" would turn into "a any individual or company…" Ex. B ('830 patent) at claim 1. Second, the claims are already limited to "a sponsor selected consumer user," so the litany of entities included in Kroy's proposed construction appears inconsistent, or at least confusing.

M. Terms Not Requiring Construction

TERM	KROY'S PROPOSED CONSTRUCTION
incentive program	any program designed to incentivize or reward desired behavior
award	all types of incentives, including merchandise, coupons, points, cash, services and other forms incentives

Kroy avers that the terms "incentive program" (Term No. 1) and "award" (Term No. 2) require construction. Not so. "Claim construction is a matter of resolution of disputed meanings and technical scope, to clarify and ***when necessary*** to explain what the patentee covered by the claims, for use in the determination of infringement." *U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1568 (Fed. Cir. 1997). Kroy's proposed construction provides no guidance to help a jury understand how one of ordinary skill in the art would have understood the terms. Kroy proposes construing "incentive program" circularly – and confusingly – as any ***program*** to ***incentivize*** or reward desired behavior. And Kroy's lengthy construction of the simple term "award" does not clarify the term's technical meaning.

Further, these proposed claim constructions cannot be substituted in place of the terms they purport to construe without causing confusion. For example, "A system for incentive program participation and automated award fulfillment…" becomes "A system for ***any program designed to incentivize or reward desired behavior*** participation and automated ***all types of incentives, including merchandise, coupons, points, cash, services and other forms of incentives*** fulfillment…"

Because these terms are easily understood and Kroy's proposals would provide no further clarity to a jury, there is no need for these terms to be rewritten. *See Id.* ("Claim construction … is not an obligatory exercise in redundancy.").

TERM	DEFENDANTS' PROPOSED CONSTRUCTION
first database	database of awards
sponsor-selected fulfillment	sponsor-selected specific award unit item, sponsor-selected consumer user, and sponsor-selected geographic location for fulfillment
geographic proximity	distance

Kroy argues that the terms "first database" (Term No. 5), "sponsor-selected fulfillment" (Term No. 9), and "geographic proximity" (Term No. 17) do not require construction. Pl. Br. at pp. 19, 25, 37-38. Upon considering Kroy's arguments, Defendants no longer contend that these terms require construction.

V. CONCLUSION

For the reasons set forth above, Defendants respectfully request that the Court adopt their proposed constructions.

Dated: March 3, 2014

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CERTIFICATE OF SERVICE

The undersigned certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3) on March 3, 2014. Any other counsel will be served via U.S. mail.

/s/ Kirsten R. Rydstrom
Kirsten R. Rydstrom

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